

# **WSSC PROPOSED: FORECAST FOR WATER AND SEWER OPERATING FUNDS**

| <b>FISCAL PROJECTIONS</b>  | <b>FY09<br/>ADOPTED</b> | <b>FY09<br/>ESTIMATED</b> | <b>FY10<br/>PROPOSED</b> | <b>FY10<br/>RECOMMENDED</b> | <b>FY11<br/>PROJECTION</b> | <b>FY12<br/>PROJECTION</b> | <b>FY13<br/>PROJECTION</b> | <b>FY14<br/>PROJECTION</b> | <b>FY15<br/>PROJECTION</b> |
|--|-------------------------|---------------------------|--------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>SPENDING AFFORDABILITY ASSUMPTIONS/RESULTS</b>                  |                         |                           |                          |                             |                            |                            |                            |                            |                            |
| New Water and Sewer Debt (\$millions)                              | \$134.9                 | \$134.9                   | \$161.0                  | \$188.8                     | \$276.2                    | \$234.5                    | \$217.5                    | \$198.2                    | \$168.2                    |
| Total Water and Sewer Operating Expenses (\$millions)              | \$481.3                 | \$481.3                   | \$519.7                  | \$521.2                     | \$550.6                    | \$592.2                    | \$620.6                    | \$652.0                    | \$683.2                    |
| Debt Service (\$millions)  | \$157.4                 | \$157.4                   | \$168.5                  | \$174.8                     | \$185.4                    | \$203.4                    | \$218.9                    | \$233.8                    | \$243.9                    |
| Average Water and Sewer Rate Increase                              | 8.0%                    | 8.0%                      | 9.0%                     | 9.5%                        | 9.4%                       | 9.2%                       | 5.0%                       | 5.5%                       | 5.0%                       |
| <b>BEGINNING FUND BALANCE (\$000)</b>                              | <b>67,514</b>           | <b>67,514</b>             | <b>48,611</b>            | <b>48,611</b>               | <b>32,245</b>              | <b>28,000</b>              | <b>28,000</b>              | <b>28,000</b>              | <b>28,000</b>              |
| <b>REVENUES (\$000)</b>  |                         |                           |                          |                             |                            |                            |                            |                            |                            |
| Water and Sewer Rate Revenue                                       | 402,672                 | 396,490                   | 440,301                  | 440,301                     | 482,977                    | 529,078                    | 557,275                    | 589,523                    | 620,642                    |
| Interest Income  | 5,500                   | 1,800                     | 5,500                    | 5,500                       | 5,500                      | 5,500                      | 5,500                      | 5,500                      | 5,500                      |
| Account Maintenance Fee  | 22,850                  | 22,850                    | 22,850                   | 22,850                      | 23,050                     | 23,250                     | 23,450                     | 23,650                     | 23,850                     |
| Miscellaneous  | 18,572                  | 18,994                    | 19,217                   | 19,217                      | 19,387                     | 19,557                     | 19,727                     | 19,897                     | 20,067                     |
| <b>Total Revenues</b>  | <b>449,594</b>          | <b>440,134</b>            | <b>487,868</b>           | <b>487,868</b>              | <b>530,914</b>             | <b>577,385</b>             | <b>605,952</b>             | <b>638,570</b>             | <b>670,059</b>             |
| SDC Debt Service Offset  | 2,612                   | 2,612                     | 2,498                    | 2,498                       | 2,398                      | 2,293                      | 2,192                      | 1,428                      | 1,167                      |
| Reconstruction Debt Service Offset (REDO)                          | 12,000                  | 12,000                    | 11,500                   | 13,000                      | 11,500                     | 11,000                     | 11,000                     | 10,500                     | 10,500                     |
| Use of Prior Year Net Revenue                                      | 20,403                  | 20,403                    | 17,866                   | 20,218                      | 5,745                      | 1,500                      | 1,500                      | 1,500                      | 1,500                      |
| <b>TOTAL FUNDS AVAILABLE</b>                                       | <b>484,609</b>          | <b>475,149</b>            | <b>519,732</b>           | <b>523,584</b>              | <b>550,557</b>             | <b>592,178</b>             | <b>620,644</b>             | <b>651,998</b>             | <b>683,226</b>             |
| <b>EXPENDITURES (\$000)</b>  |                         |                           |                          |                             |                            |                            |                            |                            |                            |
| Salaries and Wages   | 93,290                  | 90,788                    | 90,879                   | 90,879                      | 95,424                     | 100,196                    | 105,206                    | 110,468                    | 115,992                    |
| Heat, Light, and Power   | 24,329                  | 24,329                    | 28,422                   | 28,422                      | 30,185                     | 32,332                     | 34,636                     | 37,105                     | 39,749                     |
| Regional Sewage Disposal   | 40,558                  | 41,000                    | 42,224                   | 42,224                      | 44,335                     | 46,552                     | 48,879                     | 51,323                     | 53,890                     |
| Debt Service   | 157,363                 | 149,963                   | 168,490                  | 170,242                     | 185,391                    | 203,418                    | 218,866                    | 233,824                    | 243,878                    |
| All Other (includes \$1.5 million annual contribution to reserve)  | 169,069                 | 169,069                   | 189,717                  | 191,817                     | 195,222                    | 209,680                    | 213,057                    | 219,278                    | 229,717                    |
| <b>TOTAL USE OF RESOURCES</b>                                      | <b>484,609</b>          | <b>475,149</b>            | <b>519,732</b>           | <b>523,584</b>              | <b>550,557</b>             | <b>592,178</b>             | <b>620,644</b>             | <b>651,998</b>             | <b>683,226</b>             |
| <b>REVENUE/EXPENDITURE SURPLUS/(GAP)</b>                           | <b>0</b>                | <b>0</b>                  | <b>0</b>                 | <b>0</b>                    | <b>0</b>                   | <b>0</b>                   | <b>0</b>                   | <b>0</b>                   | <b>0</b>                   |
| <b>YEAR END FUND BALANCE</b> w/o additional \$1.5 m reserve        | <b>47,111</b>           | <b>47,111</b>             | <b>30,745</b>            | <b>28,393</b>               | <b>26,500</b>              | <b>26,500</b>              | <b>26,500</b>              | <b>26,500</b>              | <b>26,500</b>              |
| <b>Additional \$1.5 million Reserve Annual Contribution</b>        | <b>1,500</b>            | <b>1,500</b>              | <b>1,500</b>             | <b>1,500</b>                | <b>1,500</b>               | <b>1,500</b>               | <b>1,500</b>               | <b>1,500</b>               | <b>1,500</b>               |
| <b>TOTAL YEAR END FUND BALANCE</b>                                 | <b>48,611</b>           | <b>48,611</b>             | <b>32,245</b>            | <b>29,893</b>               | <b>28,000</b>              | <b>28,000</b>              | <b>28,000</b>              | <b>28,000</b>              | <b>28,000</b>              |
| Debt Service as a Percentage of Budget                             | 32.5%                   | 31.6%                     | 32.4%                    | 32.5%                       | 33.7%                      | 34.4%                      | 35.3%                      | 35.9%                      | 35.7%                      |
| Estimated Water Production (MGD)                                   | 169.5                   | 168.5                     | 170.0                    | 170.0                       | 170.5                      | 171.0                      | 171.5                      | 172.0                      | 172.5                      |
| Accumulated Add'l Reserve (\$1.5M annual contribution since FY04)  | 9,000                   | 9,000                     | 10,500                   | 10,500                      | 12,000                     | 13,500                     | 15,000                     | 16,500                     | 18,000                     |
| Total Operating Reserve  | 25,000                  | 25,000                    | 26,500                   | 26,500                      | 28,000                     | 29,500                     | 31,000                     | 32,500                     | 34,000                     |
| Total Operating Reserve as a Percentage of Water and Sewer Revenue | 6.2%                    | 6.3%                      | 6.0%                     | 6.0%                        | 5.8%                       | 5.6%                       | 5.6%                       | 5.5%                       | 5.5%                       |
| Total Workyears (all funds)  | 1,555                   | 1,428                     | 1,561                    | 1,561                       | --                         | --                         | --                         | --                         | --                         |

## **Assumptions:**

- The County Executive's operating budget recommendation is for FY10 only and incorporates the Executive's revenue and expenditure assumptions for that budget.
- The FY11-15 projections reflect WSSC's multi-year forecast and assumptions, which are not adjusted to conform to the County Executive's Recommended CIP for WSSC. The projected expenditures, revenues, and fund balances for these years may be based on changes to rates, fees, usage, inflation, future labor agreements, and other factors not assumed in the County Executive's Recommended FY10 water and sewer operating budget for WSSC.
- The FY09 Adopted and FY09 Estimated spending affordability assumptions are the limits for FY09 implied by the budget jointly approved by Montgomery and Prince George's Counties. The FY10 Proposed spending affordability figures are the spending affordability assumptions associated with WSSC's Proposed FY10 budget. The FY10 Recommended spending affordability assumptions are the limits approved by the Montgomery County Council for FY10. (Prince George's County adopted different limits.) The FY11 - FY15 spending affordability figures correspond to the actual results for the various spending affordability parameters based on the revenue and expenditure forecasts shown for the given year.
- The FY09 Adopted figures include a \$3.33 million supplement to the FY09 Approved Budget that was approved by the Prince George's County Council on November 18, 2008 and by the Montgomery County Council on December 2, 2008.
- The total FY09 Estimated workyears shown correspond to the actual workyears as of December, 2008.